# SUMMARY OF PROPOSED REVISIONS TO

# NEW SOURCE REVIEW RULES 20.1, 20.2, 20.3 AND 20.4

The following summarizes the San Diego County Air Pollution Control District's proposed changes to its New Source Review (NSR) Rules 20.1, 20.2, 20.3 and 20.4. The changes are intended to address past EPA identified deficiencies, meet Clean Air Act and EPA regulatory requirements, reflect San Diego's current attainment/nonattainment status, clarify procedures and requirements, and ensure consistency with state law.

- Amend Rule 20.1 New Source Review – General Provisions as follows:

  - Add emission thresholds and requirements for fine particulates ($PM_{2.5}$), in specific provisions of the new source review (NSR) rules. $PM_{2.5}$ is a federal NSR regulated pollutant for which EPA has established ambient air quality standards and federally-mandated NSR requirements. $PM_{2.5}$ triggers have been added for air quality increments, Prevention of Significant Deterioration (PSD) baseline dates, emission thresholds for major stationary sources and major modifications, and for Air Quality Impacts Analysis and PSD impacts analysis requirements in Rules 20.2, 20.3 and 20.4.

  - Add a provision in Section (a) – Applicability of Rule 20.1 (and Rules 20.2, 20.3 and 20.4) specifying that compliance with the rule does not relieve a person from having to comply with other applicable requirements in the District's rules and regulations, or state and federal law.

  - Revise the Rule 20.1, Subsection (b)(1), exemption from NSR for previously permit-exempt, existing emission units for which a new permit is required due to a change to the District's Rule 11 (permit exemptions). The revision would change the qualifying period in which an existing permit-exempt unit must have been operated **from**: *(current rule)* any time within one year prior to the date that the permit requirement became applicable; **to** *(proposed amendment)* any time within one year prior to the date that the applicable Rule 11 change was adopted.

  - Modify the Subsection (b)(3) exemption for abrasive blasting equipment to delete references to specified sections of the state Health and Safety Code as these sections have been deleted or are no longer relevant. The reference to requirements of the California Code of Regulations at 17 CCR Section 92000 et seq. is being retained.

  - Delete the existing Subsection (b)(4) exemption from emission offsets for new, modified or replacement thermal electrical generating units subject to District Rule 69. This exemption is no longer needed and may not be approvable by EPA.

- Revise the existing Subsection (b)(5) exemption for piston engines used at military base airplane runways to capture errant aircraft. The exemption will not apply to any new, modified, relocated or replacement engines, or projects of one or more such engines, where the emissions increase by itself constitutes a new federal major stationary source or federal major modification. This change is to address an EPA requirement.

- Add a definition in Section (c) for the term "Achieved in Practice" and delete the current rule definition of "Proven in Field Application". The two definitions are similar but the demonstration period for an air pollution control technology is reduced from at least one year to at least six months. The term Achieved in Practice will be used in evaluating Best Available Control Technology. This change addresses a past ARB audit recommendation and a current EPA comment.

- Revise the definition for "Actual Emission Reduction" to specify that the reduction must be permanent and can no longer be temporary. This revision is to address an EPA issue. NSR Rule 20.4 will continue to allow the use of temporary emission offsets. However, the emission reductions, or emission reduction credits, used as offsets must themselves be created from permanent emission reductions.

- Revise the definition for "Air Contaminant Emission Control Project" by: deleting reference to "reconstruction of an existing emission unit"; and, replacing a reference to the District's Banking Rules 26.0 through 26.10 (which are not approved by EPA) with a reference to any project to create an actual emission reduction or emission reduction credit under the New Source Review rules.

- Revise the definition of "Air Quality Impact Analysis (AQIA)" to specify that the analysis is to be based on the emissions exhaust system design and discharge characteristics but not on an exhaust stack height greater than good engineering stack height, as defined. This addresses an EPA-identified rule deficiency. This provision clarifies what the air quality impact analysis will be based upon but does not affect or limit actual stack height. Similar language is being added to the AQIA requirement provisions in Rules 20.2, 20.3 and 20.4.

- Clarify the definition of "Air Quality Increment" by adding language that the increase in the concentration of an air contaminant is compared to the minor source baseline concentration which is established as of the minor source baseline date.

- Add federal air quality increment values for $PM_{2.5}$ in Tables 20.1-1 and 20.1-2 within the "Air Quality Increment" definition.

- Clarify that the definition of "Area Fugitive Emissions" is referring to $PM_{10}$ emissions. Also, clarify the examples of operations that may cause such emissions.

- Expand the definition of "Attainment" to include when the San Diego Air Basin is designated as attainment or unclassifiable by EPA in 40 CFR Section 81.305 to address an EPA comment.

- Add a definition for "Begin Actual Construction" to address an EPA comment. The definition is the same as that in EPA regulations, and mirrors current District policy.

- Amend the definition of "Best Available Control Technology (BACT)" to revise how the definition applies to emission units and to projects. The proposed changes are to address past ARB audit recommendations and will:

  - Base a BACT evaluation, in part, on emission control approaches which have been achieved in practice (rather than the current "proven in field application") by a class or category of source. Cost-effectiveness would be as determined by the Air Pollution Control Officer and used in the evaluation of BACT for a class or category of source.

  - Clarify that BACT can be a combination of an emission control device, emission limitation, or control technique.

  - Revise the definition with respect to how BACT applies to existing emission units being modified. BACT would apply to the emissions increase associated with the modification and not the unit's entire emissions if: (1) BACT was previously applied to the unit, and (2) the emissions increase is less than 25 percent of the emission unit's pre-project potential to emit, and (3) the emissions increase does not constitute a major modification.

  - Add a provision to allow the Air Pollution Control Officer to require the BACT evaluation consider emission control approaches for combinations of emission units, in addition to BACT for each individual emission unit, in cases where a project consists of multiple new, modified, relocated and/or replacement emission units. This provision does not allow a project with multiple emission units where some emissions are increasing and some emissions are decreasing to net out of BACT for individual emission units.

- Clarify the Rule 20.1 definition of "Contemporaneous Emissions Increase" to address EPA comments. Retitle it to be "Contemporaneous *Net* Emissions Increase" since it allows consideration of specified emission reductions as well as emission increases. Clarify that it includes emission increases resulting from relocated and replacement emission units. Clarify the five year contemporaneous period. Specify that creditable emission reductions must have occurred within the contemporaneous period, and cannot have been used for banking an ERC or providing emission offsets under NSR. Delete the reference to LAER in the definition provision allowing that there be no contemporaneous emissions increase added to the total for the stationary source for an emissions unit where the emission increase has been offset under the NSR rules.

- Amend the definition of "Contiguous Property". Provide that, in the case of determining whether non-adjoining parcels of land are considered contiguous, they must be under common ownership or common control and must be connected by a process line, conveyors or other stationary materials handling equipment (current language is *other equipment*) which are under the same common ownership or control and serve only those non-adjoining parcels.

- Amend the definition of "Cost-Effective", used in determining BACT. The revisions would establish fixed cost-effectiveness threshold values for VOC and NOx of $6 per pound, $6 per pound for SOx and $3.33 per pound for $PM_{10}$, all multiplied by the applicable BACT Cost Multipliers of 1.1 (small sources) or 1.5 (moderate and large source). This is being done to address a past ARB audit recommendation to make the District's VOC and NOx cost-effectiveness benchmarks more consistent with those of other California air districts. Future changes to the cost-effectiveness values for these four air contaminants will require approval by the Air Pollution Control Board. For other air contaminants subject to BACT, cost-effectiveness would continue to be based on the cost of controlling each specific air contaminant under other APCD rules.

- Amend the definition of "Emission Offsets" to specify they be actual emission reductions and meet the applicable requirements of Rules 20.1, 20.3 and 20.4, rather than the current reference to only Subsection (d)(5) of Rule 20.1.

- Add a new definition of "Emission Reduction Credit (ERC)" so that current NSR rule references to the District's Banking Rules 26.0 – 26.10, which will not be approved by EPA into the State Implementation Plan (SIP), can be deleted. Standards and procedural requirements for approving ERCs that are sufficient to allow EPA approval and are similar to the Banking Rules requirements are being added to Subsection (d)(4) of Rule 20.1. While the Banking Rules will not be SIP-approved, they will remain in the District's Rules and Regulations and continue to establish standards for the creation, approval and banking of ERCs.

- Revise the definition of "Enforceable" to include "legally and practicably enforceable limits" to address an EPA requirement. A definition of "legally and practicably enforceable limits" is being added to Section (c) of Rule 20.1. That definition is identical to the definition for the same term in District Rule 60.1 – Limiting Potential to Emit for Small Sources.

- Add a definition of "Existing" to clarify calculation procedures for potential to emit and emission increases when an existing unit is being modified.

- Delete the definition of "Federally Enforceable" and add new definitions of "Federally Enforceable Requirement" and "Federally-mandated New Source Review" to address EPA requirements while still allowing a distinction between federally enforceable requirements and state/local-only requirements.

- Add new definitions of "Federal Major Stationary Source" and "Federal Major Modification" to be the same as the existing Rule 20.1 definitions of "Major Stationary Source" and "Major Modification" with the exception that: (1) the threshold emission rates for VOC and NOx emission increases are 100 tons per year (vs 50 tons per year) for a *federal* major source; and, (2) the *federal* major modification is occurring at a *federa*l major stationary source and the threshold emission increase rates for VOC and NOx are 40 tons per year (vs 25 tons per year). These definitions are added to create a distinction between the current major stationary source requirements (which will be retained under state law) and additional EPA requirements that will apply only to federal major stationary sources and federal major modifications under the proposed rules. A project that is not a "Federal Major Modification" or a "Federal Major Stationary Source" but is still a major modification or new major stationary source under the current rules would still be subject to LAER and emission offset requirements. However, only a federal major stationary source or federal major modification would be subject to Rule 20.3 requirements for Compliance Certifications, Alternative Siting and Alternatives Analysis, and Analysis of Visibility Impairment in Class I Areas. Other requirements will be different for federal major stationary sources and federal major modifications. They would be subject to potentially more stringent emission offset requirements due to EPA requirements for: adjusting existing baseline emissions to current requirements for purposes of determining an emissions increase; and, surplus-adjusting emission reduction credits at the time they are used as offsets.

- Add $PM_{2.5}$ emission thresholds of 100 tons per year and 10 tons per year, respectively, in the definitions of "Major Stationary Source" and "Major Modification". San Diego meets the current national ambient air quality standards for $PM_{2.5}$ and these proposed emission thresholds are consistent with federal levels.

- Amend the definitions of "Major Source Baseline Date" and "Non-Major Source Baseline Date" to add $PM_{2.5}$ baseline dates (October 20, 2010 and June 14, 2012, respectively) for the federal Prevention of Significant Deterioration (PSD) program, and rename "Non-Major Source Baseline Date" to be "Minor Source Baseline Date" to align it with federal PSD program terminology. The definitions are also revised to clarify that these baseline dates apply for all of San Diego County.

- Delete the existing definition of "Military Tactical Support Equipment" as that term is now defined in District Rule 2.

- Revise the definition of "Modeling" to add a requirement to use an applicable EPA-approved air quality impact model, and to add a reference to EPA modeling guidance contained in 40 CFR Part 51 – Appendix W, including provisions for deviations from that guidance. These changes address an EPA requirement.

- Clarify that the definition of "Modified Emission Unit" includes, but is not limited to, a permit condition change.

- Clarify that the definition of "Modified Stationary Source" includes relocated and replacement emission units.

- Retain the current definitions of "National Ambient Air Quality Standards (NAAQS)" and "State Ambient Air Quality Standards(SAAQS)" but delete reference to and inclusion of Table 20.1-7 which summarized those standards. Frequent, recent changes to the NAAQS make it impractical to keep Table 20.1-7 up to date through the rulemaking process. Up-to-date information on NAAQS and SAAQS levels and averaging times is readily available from the District, EPA or ARB.

- Clarify the definition of "New Emission Unit" in paragraph (ii) to read "… any emission unit which was constructed, installed or operated *at its current location* without a valid Authority to Construct or Permit to Operate from the District."

- Add a definition for "New Federal Major Stationary Source" to mean a new unit, new project, or new stationary source that would be a federal major stationary source, or any modification at an existing stationary source which results in an emission increase that, by itself, constitutes a federal major stationary source. The definition would also contain an EPA regulatory requirement that an existing stationary source be considered, and evaluated under NSR as, a new federal major stationary source if it will become a federal major stationary source solely due to a relaxation in an existing permit limitation on the source's capacity to emit, such as a limit on emissions, hours of operation, process rates or fuel use.

- Clarify the definition of "New Major Stationary Source" to include a new project, or a modification of an existing stationary source, where the project or modification results in an emissions increase that, by itself, constitutes a major stationary source.

- Clarify the definition of "New Stationary Source" to exclude operation of portable emission units from being considered the first emission units to begin operating at the source location.

- Add a new definition for the term "Nonattainment" which is used in the NSR rules. The definition refers to when the San Diego Air Basin is formally designated as nonattainment (i.e., not in attainment) of a National Ambient Air Quality Standard or a State Ambient Air Quality Standard.

- Amend the definition of "Non-Criteria Pollutant Emissions Significance Level" to remove asbestos, beryllium, vinyl chloride, and listed CFC's and halons from the air contaminants listed in Table 20.1-8. These compounds are no longer listed in EPA's PSD regulations and are now regulated through other federal, state and District programs.

- Amend the definition of "Non-Major Source Baseline Date" (relocated and revised to "Minor Source Baseline Date") to specify October 1, 1999, as the minor source baseline dates for $PM_{10}$ and $NO_2$, and June 14, 2012, as the minor source baseline date for $PM_{2.5}$. The amended definition also clarifies that, once established, the specified minor source baseline dates apply throughout San Diego County.

- Add a definition for "Non-Major Stationary Source" to clarify its use in the NSR rules.

- Delete the definition of "Particulate Matter or Particulate Matter ($PM_{10}$)" as definitions for "$PM_{10}$" and "$PM_{2.5}$" are now contained in District Rule 2.

- Add a definition of "Permit Limitation on Potential to Emit" to clarify procedures for determining potential to emit.

- Amend the definition of "Portable Emission Unit" to add reference to Rule 10 permit requirements. The proposed amendment would also revise an existing clause in the definition that specified that a portable unit that exceeds the allowable time (12 consecutive months) at a location would be considered a relocated emission unit. The revised definition would allow the Air Pollution Control Officer to determine, on a case-by-case basis, whether such a portable unit should be reclassified as a relocated emission unit.

- Amend the definition of "Precursor Air Contaminants" to add $PM_{2.5}$ as a secondary air contaminant with NOx and SOx as precursors in Table 20.1-9.

- Delete the definition of "Proven in Field Application". It is replaced by the new definition of "Achieved in Practice".

- Clarify the definition of "Replacement Emission Unit" by specifying that "like-kind replacements" (in addition to the current reference to identical replacements) as specified in District Rule 11 – *Exemptions from Rule 10 Permit Requirements*, and subject to the limitations specified in Rule 11, are not subject to the requirements of Rules 20.1, 20.2, 20.3 and 20.4 applicable to replacement emission units. Such like-kind replacement units have been exempted by District Rule 11 from Rule 10 permit requirements for many years, and thus are already exempt from NSR rule requirements. The Rule 11 exemption for like-kind replacement units excludes specific equipment types and those with emissions above specified thresholds.

- Clarify the definition of "Stationary Source" by replacing the term "*entitlement to use*" with the term "*common control*" and inserting the phrase "*…are under common ownership or common control and which are…*" to clarify the reference to emission units operating in California Coastal Waters.

- Add a new definition of "Surplus of Federal Requirements" and amend the definition of "Surplus" to create a separation between EPA requirements to surplus-adjust emission reduction credits/offsets at the time they are used to offset specified emission increases at new federal major stationary sources/federal major modifications, and District requirements to surplus-adjust emission reduction credits at the time they are created and banked for future use. The amended definition of "Surplus" includes emission reductions required under the newly defined "Surplus of Federal Requirements" plus emission reductions required under state and District laws, regulations, rules, orders or the Regional Air Quality Strategy. The new and amended definitions also add specific criteria rather than referring to the definitions and emission reduction credit (ERC) banking terms in District Banking Rules 26.0 et al. These changes address EPA approval issues and are also needed since EPA will not be approving the District's Banking Rules. The District Banking rules will remain in place locally and will continue to be used to evaluate requests to create emission reduction credits.

- Delete the definition of "Volatile Organic Compound (VOC)" as a more current definition has been included in District Rule 2.

- Clarify and re-organize Rule 20.1, Subsections (d)(1) – (d)(4), containing the procedures for calculating potentials to emit, actual emissions, emission increases and emission reductions. A detailed description of these changes follows:

  **Subsection (d)(1) - Potential to Emit**

  - Revise Subsection (d)(1)(i)(A) by replacing reference to Authority to Construct and Permit to Operate conditions by the more encompassing terms "enforceable" and "permit limitation on potential to emit". Clarify that potential to emit is determined on an hourly, daily, and annual basis.

  - Add a reference in subparagraph (d)(1)(i)(B) to actual emissions "…calculated pursuant to Subsection (d)(2)". Remove the reference to the Air Pollution Control Officer basing pre-project potential to emit on the highest (compliant) emission level in the preceding five years. This provision is reworded and relocated to Subsection (d)(2) – Actual Emissions, new subparagraph (d)(2)(i)(A).

  - Clarify subparagraph (d)(1)(i)(C) as applying only to modified emission units at major sources, not to new emission units.

  - Delete the current wording in subparagraph (d)(1)(i)(C) regarding the procedures for emission units not being modified and units previously offset to address EPA comments.

- Add new (d)(1)(i)(D) to specify that the pre-project potential to emit for a new emission unit is zero.

- Add new subparagraph (d)(1)(i)(E) to specify how pre- and post-project potential to emit for "projects" is calculated.

- Add a new paragraph (A) to subsection (d)(1)(ii) – Calculation of Aggregate Potential to Emit–Stationary Sources. Paragraph (A) will provide that enforceable limits meeting specified criteria are to be used in determining the aggregate potential to emit of a stationary source.

- Revise current paragraph (d)(1)(ii)(A), to become new paragraph (B), regarding the exclusion of emissions of permit-exempt emission units from the aggregate potential to emit of a stationary source, in order to address EPA requirements. The revisions would delete language that included permit-exempt unit emissions if they exceeded 5 pounds per day or 25 pounds per week. Instead permit-exempt unit actual emissions would only be included in the aggregate potential to emit of a stationary source if such emissions would be determining as to whether the stationary source is a federal major stationary source.

- Revise current paragraph (d)(1)(ii)(B), to become new paragraph (C), regarding the inclusion of non-emergency emissions (typically occurring during maintenance and testing) from emergency equipment in the aggregate potential to emit of a stationary source, in order to address EPA requirements. The revisions would delete language that included non-emergency emissions only if they exceeded 5 pounds per day or 25 pounds per week and would instead require that all non-emergency emissions be included in the stationary source aggregate potential to emit.

- Revise the procedures in current paragraph (d)(1)(ii)(C), to become new paragraph (D), for calculating the aggregate potential to emit of a stationary source. The potentials to emit of specified portable emission units that are related to a primary activity of a host stationary source would be included in the aggregate potential to emit of that stationary source. Emissions from other un-related portable emission units, and military tactical support equipment, would continue to be excluded from the aggregate potential to emit of a stationary source.

**Subsection (d)(2) – Actual Emissions**

- Add new subsection (d)(2)(i) containing specifications for calculating actual emissions when needed to establish potential to emit. Subparagraph (d)(2)(i)(A) contains wording relocated from (d)(1)(i)(B) (see above). Clarify that yearly potential to emit is based on the highest yearly actual emissions,

determined over twelve consecutive months during a representative twenty-four month period within the five year period preceding the date of receipt of the application.

- Add new (d)(2)(i)(B) providing that the pre-project potential to emit of a unit operating less than twenty-four consecutive months is to be based on the longest operating period determined representative by the District. This replaces existing paragraph (d)(2)(ii) which allowed a calculated, albeit reduced, pre-project potential to emit for emission units operated less than six months.

- Add new paragraph (d)(2)(iii) specifying adjustment of actual emissions if a unit was in violation during the baseline period for determining actual emissions.

- Add new paragraph (d)(2)(iv), applicable only to units located at a federal major stationary source (as newly defined), requiring a further adjustment of historic actual emissions for current federally enforceable requirements. This adjustment, which applies to yearly emission only, is required by EPA regulations.

**Subsection (d)(3) – Emission Increase**

- Revise paragraphs (d)(3)(i), (d)(3)(ii), (d)(3)(iii) and (d)(3)(iv) to delete references to projects and refer only to emission units. Add new paragraph (d)(3)(vi) to specify how to calculate emission increases for a project.

- Revise paragraph (d)(3)(iii) to specify that the emission increase for a relocated emission unit is determined as the post-project potential to emit (at the new location). Currently, the increase is calculated as the unit's post-project potential to emit minus the unit's pre-project potential to emit (at the former location).

- Delete existing paragraph (d)(3)(vi) regarding the exclusion of area fugitive $PM_{10}$ emissions when determining the emission increase for Air Quality Impact Analysis purposes. This is being deleted from the AQIA provisions of Rules 20.2, 20.3 and 20.4 to meet an EPA requirement and to be consistent with the practices of other California air districts.

**Subsection (d)(4) – Emission Reduction–Potential to Emit, Actual Emission Reduction, Emission Reduction Credits**

- Revise subparagraphs (d)(4)(i)(A), (B), and (C) to refer only to emission units and delete references to projects. Add new subparagraph (d)(4)(i)(E) to specify how reductions in the potential to emit of a project are to be calculated.

- Revise subparagraph (d)(4)(i)(B) to clarify that even when an emission reduction occurs for a relocated emission unit, the post-project potential to emit of the unit at the new location is used in determining the aggregate potential to emit, the contemporaneous emission increases, and the project emission increase, as applicable, at the stationary source that the unit was relocated to.

- Revise subparagraphs (d)(4)(ii)(B), (C) and (D) to refer only to emission units and delete reference to projects. Add new subparagraph (d)(4)(ii)(F) to specify how to calculate actual emission reductions for a project.

- Retitle subparagraph (d)(4)(iii)(B) to be "Adjustments for Permitted Emission Units." Delete language regarding adjustments for violations as no longer necessary as it now is located in revised subsection (d)(2)(iii). It is replaced by new language in the same paragraph (B) stating that actual emission reductions for a permitted emission unit exclude emission reductions that are not surplus at the time the actual emission reduction is determined. This is to draw a distinction between surplus-adjusting for permitted units and surplus-adjusting for permit-exempt units now described in revised subparagraph (d)(4)(iii)(C).

- Retitle subparagraph (d)(4)(iii)(C) to be "Adjustments for Emission Units Exempt from Permit Requirements." Delete the first sentence referring to RACT adjustments of actual emission reductions. Add new language requiring certain adjustments at the time an emission reduction or credit from permit-exempt units is being created, and further adjustments at the time such emission reduction or credits is proposed to be used to meet an emission offset requirement of the NSR rules. This is to ensure adjustments meet federal requirements and are consistent with the provisions of state law allowing emission reduction credits to be created from permit-exempt units.

- Add new Subsection (d)(4)(iv) to specify standards and procedural requirements for District evaluation and approval of Emission Reduction Credits. These are added to allow a basis for emission reduction credits within the New Source Review rules which will be submitted to EPA for approval into the San Diego portion of the SIP. More detailed provisions containing these requirements are in the District's existing Banking Rules 26.0 – 26.10. However, these latter rules will not be approved by EPA into the SIP.

- Amend the emissions offset provisions of Rule 20.1, Subsection (d)(5), to address EPA-identified rule issues. The amendments would:

  - Allow offsets generated from mobile source emission reduction credits (ERCs) issued pursuant to District Rule 27.1 (rather than Rule 27 which has not been approved by EPA).

- Allow offsets to be generated from ERCs issued pursuant to a future District rule approved by EPA for inclusion in the State Implementation Plan (SIP), and from actual emission reductions created and approved pursuant to such a rule.

- Delete references to the District's Banking Rules 26.0-26.10 as EPA does not intend to approve those rules into the SIP. Instead, refer to actual emission reductions and emission reduction credits meeting the requirements of Rules 20.1-20.4.

- Revise Subsection (d)(5)(iv) to require that emission offsets for a new federal major stationary source or a federal major modification (both being newly defined) be federally enforceable at the time of Authority to Construct issuance.

- Add a new Subsection (d)(5)(v) requiring the emission reductions and ERCs being used to provide offsets for a new federal major source or major modification under Rule 20.3 be surplus of federal requirements (newly defined) at the time the ERCs/emission reductions are provided as offsets. This is to account for any applicable new, revised or revoked federal requirements and is necessary to meet EPA regulatory requirements.

- Add a provision to Subsection (d)(5)(vii), currently (d)(5)(v), allowing offsets to be created pursuant to a (future) District rule, approved by the state ARB and the federal EPA for inclusion in the San Diego portion of the State Implementation Plan, containing standards for the creation and approval of emission reduction credits in coastal waters adjacent to San Diego County.

➢ <u>Amend Rule 20.2 – New Source Review–Non-Major Stationary Sources to:</u>

- Clarify Section (a) – Applicability by adding replacement emission units to those types of emission units that the rule applies to. Also, add a statement that Rule 20.2 does not apply to any portable emission unit.

- Clarify the wording of the Subsections (b)(1) and (b)(2) existing exemptions from BACT for certain temporarily and permanently relocated emission units. A unit must be an existing unit operating under a Permit to Operate, cannot be a portable emission unit, and must meet the other existing specifications of the exemptions.

- Revise Subsection (d)(1)(iii) requiring BACT for replacement emission units to clarify that BACT requirements do not apply to identical and like-kind replacement units exempt from A/C and modified P/O requirements pursuant to Rule 11.

- Clarify the BACT requirements of Subsection (d)(1)(iv) applicable to emergency equipment emission units.

- Add a new provision in Subsection (d)(1)(v) to allow evaluation and application of BACT to groups of emission units for projects consisting of multiple emission units being permitted concurrently if technologically feasible, lowest emitting and cost-effective.

- Amend provisions in Subsection (d)(2) requiring Air Quality Impact Analysis (AQIA) and Subsection (d)(3) requiring certain Prevention of Significant Deterioration requirements to:

  - Specify in Subsections (d)(2) and (d)(3) that an AQIA and any required PSD impacts analysis are to be based on good engineering practice stack height. This is to address a past EPA-identified deficiency.

  - Amend Subsection (d)(2) language to no longer exclude area fugitive $PM_{10}$ emissions from AQIA requirements in order to satisfy an EPA requirement.

  - Consolidate currently separate subsections (i) through (iii) in the rule into a single subsection (i) containing AQIA requirements for new, modified, replacement and relocated emission units, to simplify the rule.

  - Create two paragraphs (A) and (B) under Subsection (d)(2)(i) to separate requirements relative to national ambient air quality standards from those relative to state ambient air quality standards. This will allow exclusion of the state air quality standards requirements from EPA SIP approval so that they will not become federally enforceable requirements.

  - Add AQIA trigger levels for $PM_{2.5}$ emission increases – 67 lbs/day and 10 tons/year – to Table 20.2-1.

  - Replace current language in Subsection (d)(2)(i) containing a specification for $PM_{10}$ emissions used in an AQIA to "… include both directly emitted $PM_{10}$ and $PM_{10}$ that would be *formed by precursor air contaminants* prior to discharge to the atmosphere." with new language in Subsection (d)(2)(ii) specifying that $PM_{2.5}$ and $PM_{10}$ emissions used to determine whether an AQIA is required and, if required, used in an AQIA must include both directly emitted $PM_{2.5}/PM_{10}$ and $PM_{2.5}/PM_{10}$ which would *condense* after discharge to the atmosphere. Additional new language in revised Subsection (d)(2)(ii) would specify that permit terms and conditions limiting emissions of $PM_{2.5}/PM_{10}$ as a result of an AQIA must apply to the combination of directly emitted and condensable emissions. These changes address an EPA requirement.

  - Replace current language in Subsection (d)(2)(iii) regarding AQIA requirements for relocated emission units with new language specifying how an AQIA will be conducted for individual emission units and for projects (one or more units). Further provide that the determination of whether an AQIA is required would be

based on the aggregate of emission increases occurring within a project, excluding any concurrent emission reductions at the stationary source. Also provide that air quality impacts will be determined based on emission increases, but can be mitigated by simultaneous air quality benefits at the same impact location that result from concurrent, enforceable emission reductions at the same stationary source.

- Clarify Subsection (d)(2)(iv) by providing that if (*in the unlikely event*) a future analysis for a unit or project's impacts on ozone is required, the procedures used must be acceptable to ARB with regard to state ambient air quality standards, or EPA with regard to national ambient air quality standards.

- Create two paragraphs (A) and (B) under Subsection (d)(2)(vi) in order to separate requirements relative to national air quality standards from those relative to state air quality standards. This will allow exclusion of the state ambient air quality standards requirements from EPA SIP approval so that they will not become federally enforceable requirements. Add new language to provide authority for the District to deny a permit unless an AQIA performed under Subsection (d)(2)(vi) demonstrates that the unit/project will not result in any of the adverse air quality impacts specified. These changes are to address EPA issues.

- Retitle Subsection (d)(3) from "Prevention of Significant Deterioration (PSD)" to *Significant Impact in Class I Areas* and clarify that the provisions apply to any "emission unit" as well as to projects expected to have a significant impact in any Class I area.

- Add notice to EPA Region 9, ARB, and any tribal air pollution control agencies having jurisdiction in the San Diego Air Basin, in Subsection (d)(4)(i) for permit application actions requiring public notification and public comment periods.

- Clarify Subsection (d)(4), paragraph (ii) regarding the handling of applicant responses to public comments. Current rule language states that applicant responses shall be made available for public review. The revised language would instead specify that the applicant's responses be made available in the public record of the permit action.

➢ <u>Amend Rule 20.3 New Source Review – Major Stationary Sources and PSD Stationary Sources to incorporate most of the changes described above for Rule 20.2, and to:</u>

- Amend the current Subsection (b)(3) exemption from emission offsets for qualifying air contaminant emission control projects. While this exemption was established in state law, EPA has stated that it cannot apply to emission increases that would constitute a new federal major stationary source or federal major modification.

- Amend and clarify the LAER requirements in Subsection (d)(1)(v) to include the exceptions for BACT in lieu of LAER currently contained in Subsection (d)(7) of Rule 20.3. The rule currently allows (and would continue to allow) BACT in lieu of LAER for a nonattainment pollutant relative to a national ambient air quality standard – currently VOC and NOx – if the emissions increase from a new, modified, replacement or relocated unit or project at a major stationary source is offset internally at the stationary source by a ratio of 1.3 to 1.0, or if the aggregate stationary source emissions are less than 100 tons per year, on a pollutant-specific basis.

- Add a new provision in Subsection (d)(1)(vii), titled *Projects with Multiple Emission Units*, to allow evaluation and application of BACT (or LAER) to groups of emission units for projects consisting of multiple emission units being permitted concurrently if technologically feasible, lowest emitting and for BACT cost-effective .

- Amend Subsection (d)(2) regarding AQIA requirements to incorporate the proposed changes described above for Rule 20.2. Add an additional air quality impact test to ensure a project that constitutes a new federal major stationary source or federal major modification will not, by itself, result in an increase in ambient concentration greater than a federal air quality increment in either a Class I or Class II area.

- Reorganize and clarify wording in Subsection (d)(3) – *Prevention of Significant Deterioration (PSD)*. Requirements are not being substantively changed. This subsection cannot be revoked, despite Air Pollution Control Board adoption of new Rule 20.3.1, which contains somewhat similar requirements, because ARB believes that doing so would violate state law, specifically SB288 requirements.

- Amend language in Subsection (d)(4) to include notification to any tribal air pollution control agencies having jurisdiction in the San Diego Air Basin, and to clarify the handling of applicant responses to public comments to incorporate the proposed change described above for Rule 20.2

- Revise and clarify the Subsection (d)(5) emission offset requirements of the rule as follows:

  - Consolidate the requirements for offsets contained in current Subsections (d)(5) through (d)(8) into proposed revisions to Subsection (d)(5). Continue to require emission offsets, at a 1.2 to 1.0 ratio, for NOx or VOC emissions increases which constitute a new major source or major modification.

  - Add a provision that emission offsets would also be required for any other air contaminant or its precursors for which EPA determines that the San Diego Air Basin is not in attainment of a national ambient air quality standards. Specify an offset ratio of 1.0 to 1.0 for such air contaminants and precursors.

- Add a new provision in Subsection (d)(5)(ii)(C) requiring that emission reductions credits used to provide emission offsets for a new federal major stationary source or federal major modification *(as newly defined in the Rule 20.1 proposed revisions)* must be adjusted, as specified in Rule 20.1(d)(5)(v), to account for any new, revised or revoked applicable federal emission reduction requirements. This is to address an EPA-identified rule deficiency.

- Continue to allow interpollutant offsets in renumbered Subsection (d)(5)(iii) for NOx and VOC emission increases, at the current interpollutant offset ratios. The District has re-evaluated the interpollutant offset ratios between VOC and NOx, found that the current ratios are still appropriate, and submitted a demonstration to EPA for their review. For any other nonattainment air contaminants or precursors for which emission offsets are required, interpollutant offsetting could be allowed pursuant to a (future) protocol approved by the Air Pollution Control Officer and federal EPA.

- Delete Subsection (d)(6) referring to use of District Bank ERC's as no longer applicable. The District has for some time used excess, unbanked emission reductions in the triennial No-Net-Increase demonstration to the Air Resources Board.

- Delete Subsection (d)(7) regarding exemptions from LAER requirements as these provisions have been incorporated into revised Rule 20.3, Subsection (d)(1)(v) as described above.

- Delete Subsection (d)(8) as the provisions have been incorporated into revised Subsection (d)(5).

- Amend Section (e) – Additional Requirements, regarding Compliance Certifications and Alternative Siting and Alternatives Analysis to apply only to "new federal major stationary sources" and "federal major modifications", as defined in the proposed amendments to Rule 20.1.

- Add a new Subsection (e)(3) – Analysis of Visibility Impairment in Class I Areas, to incorporate EPA regulatory requirements for Class I area visibility impact analysis requirements. These new requirements will only be applicable to new federal major stationary sources and federal major modifications, as newly defined in proposed amendments to Rule 20.1.

➢ <u>Amend Rule 20.4 New Source Review – Portable Emission Units to:</u>

- Clarify and revise Applicability Section (a) to include replacement portable emission units and to include stationary sources where one or more portable units are co-located (for purposes of revised Subsection (d)(2)(iv) relating to air quality impact analysis requirements) to address an EPA issue.

- Add a new exemption in new Subsection (b)(2) to reinforce and clarify that Rule 20.4 does not apply to portable equipment already exempt from permits under District Rule 11 or state law.

- Amend the existing offsets exemption for air contaminant emission control projects in new Subsection (b)(3) to specify that the exemption does not apply if the project results in an emissions increase which constitutes a new federal major stationary source or a federal major modification.

- Add a new exemption in new Subsection (b)(4) from the rule's emission offset requirements. The exemption would apply to portable emission units operating at a stationary source if the portable emission unit's operations are not related to the primary activities of the stationary source, as newly defined in Rule 20.4.

- Add a definition in Section (c) for the term "Related to the Primary Activities of the Stationary Source" to mean that the portable unit is under the same two-digit SIC code as the stationary source or is used as part of or supplements a primary process at the stationary source where the operation of one is dependent upon or affects the operation of the other.

- Delete the definitions for "Initial Permit Issuance" and "Previously Permitted" as no longer necessary.

- Delete the definitions for "Type I Portable Emission Unit" and "Type III Portable Emission Unit" as they are no longer necessary. The revised rule will simply refer to portable emission units and will apply to new, modified and replacement portable emission units.

- Amend the BACT and LAER requirements of Subsection (d)(1) to also apply to replacement portable emission units.

- Clarify the LAER requirement of Subsection (d)(1)(ii) as applying only to non-attainment air contaminants or precursors (currently VOC and NOx) and to portable emission units which may be expected to operate at a stationary source that is a major source for that air contaminant or precursor. Also, clarify that BACT applies for those air contaminants not required to have LAER under (d)(1)(ii)(A), (B) or (C).

- Delete the LAER exception contained in current Rule 20.4, Section (d)(1)(ii) that applied if the emissions increase from a portable emissions unit was offset, at a 1.3 to 1.0 ratio, by actual emission reductions at each major stationary source at which it is located. EPA objected to this provision as there is no corresponding LAER exception in EPA regulations.

- Add a new exception to the LAER requirement, in Subsection (d)(1)(ii)(B), if the operation of the portable emission unit is not related to the primary activities of the major stationary source.

- Revise and clarify the AQIA requirements of Subsection (d)(2) to apply to new, modified and replacement portable emission units and to include changes similar to those proposed for the AQIA Subsections (d)(2) of Rules 20.2 and 20.3.

- Include co-located portable units undergoing permit review in AQIA requirements.

- Provide that the Air Pollution Control Officer shall deny an Authority to Construct or Permit to Operate for any portable emission unit or aggregation of portable units if it may be expected to cause any of the specified adverse air quality impacts.

- Add a Provision, in Subsection (d)(2)(v)(C) that when more than one portable unit (even if previously permitted) is to be co-located concurrently, the Air Pollution Control Officer can require the owner or operator of the portable units, or of the stationary source, to apply for and obtain a permit for the concurrent operations if they can be expected to cause an adverse air quality impact.

- Clarify handling of applicant responses to public comments under Subsection (d)(4). Provide for notice to EPA Region 9, ARB and to any tribal air pollution control agencies having jurisdiction in the San Diego Air Basin.

- Revise and clarify Emission Offset Requirements of Subsection (d)(5) as follows:

    - Delete the Alternative Offsetting provisions in (d)(5)(v) as no longer needed.

    - Specify that offsets are only required for VOC and NOx (rather than *any* non-attainment pollutant or precursor) and only for operations of new, modified or replacement portable emission units at major stationary sources of VOC and NOx.

    - Specify that offsets may be provided permanently or temporarily.

    - Require that before a portable emission unit which has not previously been fully and permanently offset can be operated at a major stationary source of NOx or VOC emissions, it must first apply for and obtain a modified Permit to Operate to do so and provide required emission offsets. Specify that if the VOC and NOx emission increases from a portable unit have been previously fully and permanently offset, the requirement to obtain a modified permit does not apply and no further offsets are required unless the unit is modified (to increase emissions).

- Specify that if emission offsets are provided temporarily, the amount of the offset credits provided be reduced by 10 percent when they are returned to the person providing the credits.

- Rule 20.4, Subsection (d)(5) would continue to allow interpollutant offsets for VOC and NOx emission increases at the current ratios.